

Message Text

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ACTION ABF-01

INFO OCT-01 ARA-06 ISO-00 FS-01 A-01 OPR-02 TRSE-00 /012 W
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R 201606Z MAY 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1242

INFO AMEMBASSY MONTEVIDEO

LIMITED OFFICIAL USE BUENOS AIRES 3456

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJ: EXCHANGE RATES

REF: STATE 087717

1. FOLLOWING IS OUR ASSESSMENT, AND RECOMMENDATIONS REGARDING
USE OF PARALLEL MARKET FOR OFFICIAL EMBASSY EXCHANGE CONVERSION.

2. IN NOVEMBER 1973, EMBASSY AND FIRST NATIONAL CITY BANK IN
BUENOS AIRES INITIATED PROCEDURE BY WHICH AMERICAN EMPLOYEES OF
EMBASSY USE PARALLEL MARKET RATE, AS OTHER FOREIGN DIPLOMATS DO
FOR PERSONAL EXPENSES. SYSTEM, WHICH INVOLVES FNCB PURCHASE AND
IMMEDIATE SALE OF GOA EXTERNAL DOLLAR BEARER BONDS WORKS THROUGH
EMBASSY GROUP PURCHASING COMMITTEE (COMMISSARY) AND HAS BEEN
CHECKED OUT WITH LOCAL LEGAL FIRM, WHICH FOUND NO IMPEDIMENTS.

3. THERE IS A DISTINCTION, IN OUR VIEW, BETWEEN USE OF EXTERNAL
BOND MARKET BY NON-OFFICIAL ENTITY SUCH AS GPC, WHICH IS QUITE
COMMON, AND ITS USE BY USG FOR OFFICIAL CONVERSION OF
US TREASURY INSTRUMENTS. WHILE LEGAL ACCORDING TO EXPERTS
WE HAVE CONSULTED, EXTERNAL BOND TRANSACTIONS IN SECONDARY
MARKET ARE NOT WIDELY USED BY OTHER EMBASSIES ACCORDING
OUR INFORMAL SOUNDINGS. GOA PROBABLY WOULD NOT CONSIDER EMBASSY
USE OF EXTERNAL BONDS DESIRABLE SINCE IT WOULD RESULT
IN SOME LOSS OF FOREIGN EXCHANGE TO GOVERNMENT. AVERAGE WEEKLY
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AMOUNTS CHANGED AT PARALLEL RATE BY EMBASSY PERSONNEL FOR

PERSONAL EXPENSES IS NOT DEEMED LARGE ENOUGH TO AFFECT EXTERNAL BOND MARKET PRICES. HOWEVER, CONSIDERABLY LARGER AMOUNTS EXPENDED FOR OFFICIAL PURPOSES COULD HAVE SOME IMPACT.

4. EMBASSY REMAINS CONCERNED, NONETHELESS, THAT GOA OVER-EVALUATION F THE OFFICIAL EXCHANGE RATE DOES NOT PERMIT USG TO OBTAIN A FAIR VALUE FOR ITS CURRENCY. IN THESE CIRCUMSTANCES, WE ARE CONDUCTING A REVIEW TO DETERMINE IF SOME MISCELLANEOUS TYPES OF EMBASSY EXPENSES COULD BE HANDLED THROUGH THE EXTERNAL BOND SYSTEM. THIS COMPROMISE WOULD SAVE USG SOME MONEY, WHILE STILL ENABLING EMBASSY TO MAINTAIN CORRECT PORTURE THAT OFFICIAL EXPENSES CONVERTED AT FINANCIAL RATE SET BY GOA. EMBASSY ALSO REVIEWING SITUATION TO DETERMINE IF MORE OFFICIAL EXPENSES COULD BE PAID DIRECTLY IN LOCAL CURRENCY BY AMERICAN EMPLOYEES WITH REIMBURSEMENT AT EXTERNAL BOND RATE - A PROCEDURE WE NOW ALREADY USE FOR LOCAL REPRESENTATION EXPENSES.
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Margaret P. Grafeld
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